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Attn : Chief, Intelligence Information Staff, OIR
Thru : Chief, Services Division
Chief, Trade Branch

28 August 1956

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Requirements on International Banking

BACKGROUND

1. Western European banking institutions are engaged in many financial activities related to trade with countries of the Sino-Soviet Bloc. In the field of non-strategic trade, such activities include maintaining accounts, extending credits for the purchase of goods, serving as a repository for gold, and acting as an intermediary in the sale of gold on Western markets. The importance of these activities is indicated by the fact that Hungary alone is reported to have owed Western banks more than \$200,000,000 in late 1955. In the field of strategic trade, certain banks are known to or believed to finance the movement of controlled goods by indirect means.

2. Little is known about the magnitude of Bloc accounts in Western European banks or of the commercial credit extended by Western European banks to Bloc countries. There is better knowledge of the amount of "swing" credits or debits accumulated by Western European central banks under payments agreements with Bloc countries, but a large share of East-West trade is financed through Western European commercial channels. This includes Bloc trade with the Western under-developed countries. Vienna, for example, is reported to be an important financial center for such trade. In addition, there is the possibility that accounts in legitimate banks are used as a channel of funds for espionage or other illegal activities.

3. Certain West European banks and financial houses play a role in Soviet Bloc gold sales. The most prominent of these is Samuel Montague of London. Montague claims to handle 80 to 90 percent of Soviet gold sales. It is not known, however, whether Montague is correct in this claim. The Banque Commerciale Pour L'Europe du Nord in Paris is also believed to be involved in these gold sales, and a number of gold traders such as the Union Bank of Switzerland may deal at times in Soviet or Satellite gold. In addition, gold is often deposited with Western European banks by Satellite central banks as security for credit.

4. In connection with Soviet gold sales, there is a need for additional information on gold bar markings. Efforts to exploit information of this type have proved partly successful but a larger and more random sample is needed.

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(Note: The following requirements, if detached from this background statement, bear the defense classification SECRET.)

REQUIREMENTS

5. Bank balances and credits.

a. Bloc country bank balances of over \$ 1 million maintained in Western Europe.

b. Important uses of such bank balances -- large trade transactions, particularly those involving Free World underdeveloped countries, payments to local Communist parties, etc.

c. Details of the extension of credits by Western European banks to Bloc countries -- type of security, interest rate, credit terms.

d. Are Bloc debts paid promptly? Is it often necessary to refinance outstanding credits?

6. Gold shipments.

a. Details of Soviet Bloc gold sales. Amount, channels followed, companies and individuals involved, currency of payment, price.

b. Use of currency proceeds. Are they left on deposit? If so, in what banks? Are large amounts changed into cash?

c. Are gold sales made through ^{usual} channels? ORR, for example, has no reliable information on recent Bloc gold sales to markets in the Middle or Far East.

7. Gold bar markings.

a. Serial numbers, dates, and mint marks from Soviet gold bars arriving in Western markets and particularly in The Hague, Paris, Bern, and Helsinki. Photographs of the main face of each bar would ideally fulfill this requirement, but photographs of shipping documents, vault records, State Bank of the USSR letters of transmittal, etc., are acceptable.

b. Same information from gold bars already held in those cities.

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